

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 5/15/2014

**GAIN Report Number:**

## **Costa Rica**

## **Coffee Annual**

## **Coffee Production, Consumption and Trade**

**Approved By:**

Stephen M. Huete, Agricultural Counselor

**Prepared By:**

Victor Gonzalez, Agricultural Specialist

**Report Highlights:**

Costa Rica's 2013/2014 coffee crop is expected to decline less than previously forecast, based on preliminary data. Production is expected to reach 1,428,883 60 kg. bags, which would result in a 13.8% decline as compared to the previous crop. The Costa Rican Coffee Institute (ICAFE) has been reluctant to offer an estimate of the next crop since the 2013/2014 crop has just ended. However, given the effects of the coffee rust and the severe dry season that just ended, production is expected to decline again in 2014/2015.

**Executive Summary:**

Costa Rica's 2013/2014 coffee production declined 13.8% to 1,428,833 bags (Note: for the purpose of this report bags refers to 60 kg. bags) as compared to 1,656,735 bags during the previous crop year. Last year Post had forecast a decline of 15% for the 2013/2014 crop, but production is expected to end up being slightly higher. Lower production was primarily the result of much higher incidence of a fungal disease known as coffee rust. Production is forecast to decline further to 1,380,000 bags in the 2014/2015 crop year as a result of the continued effects of the disease. As a result, exports are forecast to decline to 1,140,000 bags. The Costa Rican Government is providing assistance to farmers through the Ministry of Agriculture. The Costa Rican Coffee Institute (ICAFE) is also providing agricultural inputs and technical assistance to producers to combat the disease.

**Commodities:**

Select

**Production:**

According to the ICAFE, the 2013/2014 crop will be the smallest crop in 37 years. The crop was influenced by several factors, including the coffee rust, which was the main problem affecting production. As a result of the rust, many farmers in the more affected areas (Coto Brus and Perez Zeledon) had to conduct forced pruning. The weather also had a negative effect because the extended dry season in 2013 limited the possibility of proper fertilization and resulted in delayed flowering and falling of small fruits. This pattern has been similar in 2014 and is a cause of concern among producers. Also, producers focused their efforts in combating the rust and preventing new attacks. This and the lower international coffee prices obtained in 2013, limited the purchase and application of fertilizers, directly impacting the productivity of some farms. The renovation of some plantations was a positive factor. Some renovated areas are beginning to produce. However, production from these areas is not enough to make up for the lost production which resulted from pruning of the areas affected by the rust.

As mentioned above, the weather pattern in 2014 has been similar to that of 2013, a long dry season followed by a relatively late and mild rainy season. This has resulted in late flowering of coffee plantations. In some areas the flowering is still going on. The rust has not been overcome yet in some areas of the country such as Turrialba and Perez Zeledon, and ICAFE is telling growers that the current conditions are favorable to the disease. These issues lead us to believe that the 2014/2015 crop could decline to 1,380,000 bags.

Although coffee production continues to face competition for land, primarily from urbanization, no significant reduction in area planted is expected. Last year, producers applied the inputs provided by ICAFE under an emergency plan to assist in the control of the fungus. The GOCR also approved about \$40 million in funding for different types of programs directed at helping producers sort through the crisis. Half of those resources will be used to support small and medium size producers until their plantations become productive again. The other half will go to support farm renovation and

restructuring of loans. These funds have been slowly reaching producers as a result of the bureaucratic processes involved.

**Consumption:**

Coffee sales to the domestic market amounted to 309,581 bags during the 2012/2013 marketing year. According to ICAFE, the volume of coffee used for domestic consumption during the 2012/2013 marketing year, is one of the highest in recent years. The higher sales of local coffee are related to lower coffee imports as well as the lower price of coffee during that period. Assuming that most of the green coffee that is being imported is for local consumption, and based on information from local roasters, consumption for 2013/2014 amounted to 345,000 bags and is expected to reach a similar level in 2014/2015. Local consumption has experienced wide fluctuations in the last few years. Industry sources indicate these fluctuations are partly related to the way roasters buy coffee in the local market. Only recently did roasters begin to make purchase decisions in advance of the crop to compete more effectively for the limited volume of the Costa Rican crop. This situation may result in higher sales for domestic consumption as most roasters would rather purchase local coffee than imported coffee.

Imports of coffee, which did not occur in the past, started around 2008 and reached a peak in 2011. Imports have been trending lower since that year. Some roasters import lower cost coffee mostly from Nicaragua, Honduras and Mexico. According to data from ICAFE, the price of coffee for domestic consumption has been increasing during the last few crop years relative to the price of coffee for export. In the past, the price of coffee for domestic consumption was always lower than the price of coffee for export. This change signals that roasters have had to compete with higher prices to obtain high quality coffee locally.

According to research done by a marketing company for ICAFE in 2013, consumption per capita in Costa Rica is 4.29 kg/year. The details of the research show that people between 12 and 60 years drink 2.69 cups of coffee per day (one cup has 10.36 grams of coffee on average). However, younger drinkers (12-17) drink much less coffee than adults aged 45-60. According to the local industry, this represents an important challenge for the sector since the largest consumer group (older adults) will decline significantly within the next 15-25 years.

**Trade:**

Costa Rica exported 1,421,803 bags in 2011/2012 and 1,398,183 bags in 2012/2013. Export volume is expected to decline in 2013/2014 to 1,200,000 bags as a result of lower production. According to industry sources the higher coffee prices experienced in recent months will not benefit producers in the short term because most of the 2013/2014 crop had already been sold at lower prices. However, higher average prices are expected by producers for the 2014/2015 crop.

Most of Costa Rica's coffee was exported to the United States (53.29%), Belgium (13.42%), and Germany (6.2%). The United States has been the main destination for Costa Rica's coffee for several years now. During the last three marketing years, exports to the United States have exceeded 690,000 bags, and the trend is for higher exports. Export volume has declined sharply during the last 10 years as a result of lower production and higher domestic consumption. During 2001/2002 Costa Rica exported 2,016,971 bags, as compared to 1,398,183 bags in 2012/2013. Also, export patterns have changed. Costa Rica used to export a higher share to Europe and Japan in the past.

Although coffee has declined to third place in terms of the export value of agricultural products, it is still an important source of foreign exchange. Coffee exports amounted to \$307.8 million during the

2012/2013 crop year, down 33% from the previous period. Bananas and pineapples now surpass coffee in terms of export value.

### Production, Supply and Demand Data Statistics:

Coffee, Green Costa Rica	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	98	98	98	98		98
Area Harvested	93	93	93	93		93
Bearing Trees	384	384	360	360		360
Non-Bearing Trees	46	46	70	70		70
Total Tree Population	430	430	430	430		430
Beginning Stocks	240	240	165	194		102
Arabica Production	1,675	1,657	1,425	1,428		1,380
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	1,675	1,657	1,425	1,428		1,380
Bean Imports	30	40	50	25		40
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	0	0	0		0
Total Imports	30	40	50	25		40
Total Supply	1,945	1,937	1,640	1,647		1,522
Bean Exports	1,400	1,398	1,200	1,200		1,140
Rst-Ground Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	1,400	1,398	1,200	1,200		1,140
Rst,Ground Dom. Consum	375	340	370	340		345
Soluble Dom. Cons.	5	5	5	5		5
Domestic Use	380	345	375	345		350
Ending Stocks	165	194	65	102		32
Total Distribution	1,945	1,937	1,640	1,647		1,522

1000 HA, MILLION TREES, 1000 60 KG BAGS

### Export Trade Matrix, Coffee, Green

Costa Rica Coffee, Green 60 kg bags	
Time Period	2012/2013
Exports for:	
U.S.	745,189
Others	
Belgium	187,758
Germany	86,411
Netherlands	44,799
Italy	41,542
Canada	38,579
Australia	35,075

Total for Others	434,164
Others not Listed	218,830
Grand Total	1,398,183